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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 001263

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SUBJECT: SECOND CASPIAN SUMMIT IN TEHRAN YIELDS LITTLE

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Classified By: DCM Donald Lu for reasons 1.4 (b) and (d).

¶1. (C) Summary: Azerbaijani Deputy Foreign Minister (DFM) Araz Azimov downplayed the importance of the October 16 Tehran summit, indicating that the Government of Azerbaijan (GOAJ) doubted any significant progress would be reached on Caspian delimitation. Russian President Putin's public statements during the summit that all five littoral states would have to agree upon any possible trans-Caspian pipeline and that no Caspian nation should offer its territory to a third country for use against another littoral country made for big headlines in Azerbaijan. Most local analysts believe these statements and the 25-point declaration reflected a triumph of Russian and Iranian interests. While leaders agreed to meet again in Baku in October 2008, and with Iranian media outlets (to include Azeri-language Sahar Television) hailing the summit as "a turning point for defining the legal status of the Caspian Sea," the Caspian's legal status remains unresolved. Azerbaijani officials, including DFM Azimov, repeated Azerbaijan's long-standing policy that it will continue to develop its Caspian energy resources without a five-way demarcation agreement. End Summary.

Azerbaijani Expectations for the Summit

¶2. (C) Meeting in Tehran on October 16, the heads of state of all five Caspian littoral states discussed a range of issues to include the legal status of the Caspian, regional security and energy issues, and Iran's nuclear program. While expectations going into the summit were reportedly low on the Azerbaijani side (Ahmadinejad inviting Aliyev to the summit during his August 2007 visit to Baku - reftel), most Azerbaijani political commentators believe Aliyev felt compelled to attend the summit because the other heads of state had already agreed to attend.

¶3. (C) Discussing his prognosis for the summit with a visiting U.S. military delegation on October 16, DFM Araz Azimov said that the summit would have little practical result, and that Azerbaijan did not expect a breakthrough on outstanding demarcation issues with Iran and Turkmenistan. According to Azimov, the summit would provide an opportunity for other heads of state to see Ahmadinejad "close up" to see how serious he is about the Caspian demarcation issue. Azimov said that Iran's position on demarcation remains unchanged and inflexible, and that there is no reason to believe that any deal could be made in the

foreseeable future. The Iranian stance that the Caspian should be divided equally (each state receiving 20 percent) would mean that the Iranian maritime border would extend to Baku, something unacceptable to the GOAJ. Speaking generally about the possibility of a demarcation agreement with Turkmenistan, Azimov said that this would be "much more possible," as the political conditions seem to be such that a deal could be made. Azimov repeated Azerbaijan's long-standing policy that an agreement on demarcation with Iran and Turkmenistan was not necessarily that important as Azerbaijan would continue to develop its Caspian energy resources without a broader, five-way agreement. Azimov noted, however, that the disputed gas field with Turkmenistan remained idle.

Photo Ops and a 25-Point Declaration

14. (SBU) Leaders signed a 25-point declaration, the most notable points including calls for the establishment of a north-south transport corridor, a pledge that littoral states would not allow other states to use their territories to attack another littoral state, and pledges reaffirming the right of Non Proliferation Treaty (NPT) members to pursue peaceful nuclear energy programs. Beyond his strong showing of solidarity with Iranian President Ahmadinejad, Russian President Putin made international headlines by saying that all five littoral states would have to agree upon any possible trans-Caspian pipeline, that no Caspian nation should offer its territory to a third country for use against another littoral country, and that all aspects related to the Caspian should be solved exclusively by the littoral states. Azerbaijani President Aliyev's public statements were more guarded, with Aliyev saying during the joint news conference that the presidents of the five Caspian littoral states expected serious results from the summit. Saying "I hope

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that the declaration signed in Tehran will be an important step towards transforming the Caspian into a sea of friendship and cooperation" and that discussions of security in the Caspian Sea "inspired optimism," Aliyev's statements were more in line with those of the Turkmen and Kazakh heads of state.

15. (SBU) Iranian media coverage of the summit was unsurprisingly positive and broad-based, newspapers from across the Iranian political spectrum characterizing the summit in terms such as a "turning point for the Caspian." Azeri-language Sahar Television's coverage closely mirrored this, characterizing the summit as "a turning point for defining the legal status of the Caspian Sea." Appearing on Sahar's live "Kompas" program, Iranian Ambassador to Azerbaijan Hamidi-Zare played up familiar themes such as the Caspian Sea being one of peace and prosperity and that no littoral state should allow forces of another to use its territory in order to launch an attack on another littoral state.

Azerbaijani Reaction to the Summit

16. (C) While local political analysts and the media are still digesting the substance of the visit, most discussion has centered on two issues - the still unresolved status of the Caspian and the notion that the summit only served Russian and Iranian interests. Most local political analysts, to include Rasim Musabayev, believe that Iran continues to be the main obstacle to any agreement on the legal status of the Caspian. Musabayev also believes that the Tehran declaration expressed primarily Iranian and Russian interests, a point echoed in local media and diaspora circles. One point in the 25-article declaration in particular, pertaining to the threat that "international terrorism, aggressive separatism, illegal trafficking of

drugs, arms and other illegal actions," has generated considerable discussion on diaspora websites. For Azeri and other ethnic diaspora groups, any provision characterizing "aggressive separatism" as a threat can only be interpreted as an Iranian and Russian attempt to squash the legitimate grievances of ethnic minority groups. Concerning President Putin's strong show of solidarity with President Ahmadinejad, Vafa Quluzada believes that this can only be interpreted as the Moscow government openly showing its support for Iran.

Comment

¶7. (C) From the Azerbaijani perspective, the summit met local expectations, not yielding anything of substance. Locals were also relieved that there were no apparent snubs, such as when the Iranians displayed the Azerbaijani flag upside down during President Aliyev's 2005 visit to Tehran. Russian President Putin's attendance at the Second Caspian Summit and his strong show of solidarity is viewed by many Azerbaijanis as an important diplomatic coup for Iran. The Iranians clearly see this the same way, having exploited this opportunity in the media both at home and abroad.

¶8. (C) Concerning the summit's 25-article declaration, little if anything could be characterized as new, to include the highly publicized pledge that littoral states not allow outsiders to use their territory to attack another littoral states. All leaders, to include President Aliyev, have been publicly clear on this point for quite some time. We are interested in working with our GOAJ interlocutors to seek clarification on two points made during President Ahmadinejad's press conference statements. The first, dealing with Ahmadinejad's assertion that the leaders agreed to form a "Caspian Economic Cooperation Organization," to be chaired by President Putin and held in the summer of 2008, is of interest because any expansion of north-south energy, economic, or transportation cooperation could be counterproductive to U.S. interests in the region. Second, we will seek clarification about Ahmadinejad's statement referring to a draft "Caspian security arrangement," which, according to Ahmadinejad, "Azerbaijani President Aliyev will undertake management of the project." We will report the results of our efforts on these issues septel.

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